

# THIRD WORLD *Economics*

TRENDS & ANALYSIS

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## Automation raises fears of disruption and discontent

The increasing automation of manufacturing processes and services provision could lead to widespread job losses and generate social discontent. The impacts are expected to be particularly disruptive for developing countries, which may find themselves confronted with the need to rethink their economic and development strategies.

- The robots are coming, your job is at risk – p12

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# Prospects for credible outcomes at Buenos Aires bleak

Differences and manoeuvrings among countries in the WTO agriculture negotiations leading up to the yearend Buenos Aires Ministerial Conference have extended to the selection of a chair for the talks.

by D. Ravi Kanth

GENEVA: Efforts are currently underway to nominate Kenya's trade envoy Ambassador Stephen Ndung'u Karau as the chair of the Doha agriculture negotiating body in the WTO, with the African Group, at the behest of some powerful developed and South American countries, apparently asking Karau to assume the post to break the current impasse.

That impasse arose after major industrialized countries – the European Union and Canada with their allies – blocked the nomination of Irene B.K. Young of Hong Kong (China) on grounds of affiliation to China.

The Asian Group's nomination of Young was blocked following sustained attempts by major developed and some developing countries to deny a credible permanent solution for public stockholding programmes for food security at the WTO's eleventh Ministerial Conference, to be held in Buenos Aires in December, trade envoys told the *South-North Development Monitor (SUNS)*.

Young, who is currently the chair of the WTO Trade Policy Review Body, was nominated by the Asian Group of developing countries on grounds that the chair for the Doha negotiating body on agriculture ought to be from a developing country.

In a bid to stall Young's appointment, the developed and a few developing countries in South America first proposed Uruguay's Ambassador Gustavo Miguel Vanerio Balbela. Despite Uruguay being a strong member of the Cairns Group of farm exporting countries, the industrialized countries insisted that the Uruguayan ambassador would be a good choice instead of the Asian Group's nominee. But, for some inexplicable reason, Balbela withdrew from the race.

Subsequently, Balbela's sponsors opted for Mexico's new trade envoy Ambassador Roberto Zapata Barradas. They argued that Barradas is not affiliated to any coalition or country despite Mexico's close proximity to major industrialized countries.

When the Asian Group remained firm on its choice, some powerful developed and a few South American countries approached Morocco to nominate an African candidate to chair the Doha agriculture negotiating body, according to trade envoys familiar with the development.

Morocco, which is the coordinator of the African Group, asked Karau of Kenya whether he would be willing to chair the Doha agriculture Special Session knowing full well that he is currently chairing the negotiating body for improving various provisions in the WTO Dispute Settlement Understanding.

At a time when the Doha agriculture negotiating body is tasked with delivering the permanent solution for public stockholding programmes and the special safeguard mechanism (SSM) at the Buenos Aires Ministerial Conference, the African choice of Karau has come as a surprise, said several trade envoys familiar with the development.

"Unfortunately, Ambassador Karau's nomination has revived the ugly memories of the WTO's tenth Ministerial Conference in Nairobi, Kenya, in December 2015, when the chair of the conference [Kenyan Foreign Affairs Cabinet Secretary] Amina Mohamed along with the WTO Director-General Roberto Azevedo navigated five major countries – the United States, the European Union, China, India, Brazil – to produce a dubious outcome," according to participants who took part in the Nairobi meeting.

"Our ministers were relegated to coffee cup bearers instead of negotiating their trading rights," Uganda complained after the ministerial meeting. "We were never consulted," Uganda said, commenting on the questionable Nairobi Ministerial Declaration.

As fallout from the Nairobi meeting, Kenya suffered a setback when its candidate Amina Mohamed was not elected for the top executive job in the African Union last year, said an African trade envoy familiar with the development.

Kenya, which is a major user of pub-

lic stockholding programmes for food security, had campaigned hard for a credible and strong permanent solution for public stockholding programmes at the WTO's ninth Ministerial Conference in Bali in 2013. At present, Kenya, which is suffering a major drought, has crossed the limits for *de minimis* support for maize. Kenya is also a key member of the G33 farm coalition of developing countries led by Indonesia.

Against this backdrop, serious doubts are being expressed as to whether Karau will be allowed space by major industrialized and powerful agricultural exporting countries to arrive at a credible permanent solution for public stockholding programmes for food security and an outcome on the much-hurdled SSM for developing countries, according to trade envoys familiar with the agriculture negotiations.

Major industrialized countries along with their allies such as Pakistan and Paraguay have already made it known in unmistakable terms that the permanent solution for public stockholding programmes for food security should include numerous conditionalities that would make it nearly infructuous, according to trade envoys who attended a Green Room meeting convened by WTO Director-General Azevedo on 17 March with 27 countries.

But Indonesia, which is the coordinator of the G33, made it clear at the Green Room meeting that the G33 members want a credible and legally sound agreement for the permanent solution (see following article).

It remains to be seen whether Karau will go ahead with the proposal of the African Group to chair the Doha agriculture negotiating body or politely refuse the offer on the grounds that Kenya is an active demandeur of a strong covered agreement for the permanent solution for public stockholding programmes for food security at Buenos Aires, trade envoys said.

### Agriculture deliverables

In a development related to the Buenos Aires meeting, eight South American countries – Argentina, Bolivia, Brazil, Chile, Ecuador, Paraguay, Peru and Uruguay – circulated a decision reached by their foreign ministers on the deliverables they will seek at the meeting, including the permanent solution for food security.

In a restricted document issued on 10 March, the eight countries said that the Buenos Aires meeting “provides a valuable opportunity to continue taking significant steps in the process of reforming the multilateral system for trade in agricultural products and food, eliminating the currently severe distortions that prevent agro-exporting developing countries from achieving their production potential and fully contributing to global food security.”

The eight countries underscored the need to find “a permanent solution to the issue of public stockholding for food security purposes, ensuring that it does not distort international trade or production.”

They argued that “protectionist measures include tariff peaks, tariff escalation, small tariff quotas and distorting production subsidies, resulting in situations which in many cases are compounded by the proliferation of non-tariff import restrictions in the form of sanitary, phytosanitary and technical mea-

sures applied in an unjustified and arbitrary manner.”

Therefore, “fairer and more transparent and open international trade is an invaluable tool for sustainably increasing food production” and is essential at this juncture, they maintained.

WTO members must focus on their discussions “primarily on trade- and production-distorting domestic support and on securing improvements in current market access conditions,” the eight countries argued.

Significantly, the eight countries failed to mention the need for an SSM for developing countries. Barring Bolivia and Peru, the remaining six countries had opposed the SSM until now.

At a time when the United States under President Trump's administration wants to pursue bilateral agreements instead of multilateral outcomes on trade, the prospects for any credible outcomes at the Buenos Aires meeting seem bleak, according to trade envoys who asked not to be quoted. (SUNS8434) □

## PSH must cover all DCs and not be country-specific

**The permanent solution being negotiated at the WTO on public stockholding programmes undertaken for food security purposes should address the needs of all developing countries, the G33 country grouping has said.**

by D. Ravi Kanth

GENEVA: The G33 farm coalition led by Indonesia has called for a permanent solution for public stockholding programmes to address the concerns of all developing countries, instead of any one country-specific solution, at the WTO's eleventh Ministerial Conference in Buenos Aires in December, trade envoys told the *South-North Development Monitor* (SUNS).

As attempts to arrive at a permanent solution are intensified, several members of the G33 seem concerned that a country-specific solution is being talked about behind the scenes by some powerful deal brokers at the WTO along the lines of what was done on export subsidies at the tenth Ministerial Conference in Nairobi in 2015, said several trade envoys who asked not to be quoted.

India, which is a leading member of the G33, has demanded that the permanent solution must cover the food secu-

rity programmes implemented by all developing countries in a covered agreement that would provide legal certainty, as was the case with the Trade Facilitation Agreement.

During a meeting convened by the WTO Director-General Roberto Azevedo with trade envoys from 27 countries on 17 March, Indonesia delivered an unambiguous message on behalf of the G33 coalition that the permanent solution for public stockholding for food security purposes (PSH) “shall take into account elements contained in our proposal dated 17 July 2014, as they provide Members with a reasonable way in addressing the food security issue faced by not only G33 members, but also other developing countries.”

In its 17 July 2014 proposal, the G33 advocated amendments to Annex 2 of the WTO Agreement on Agriculture (AoA) on the basis of three elements:

(i) To add new sub-paragraph (h) to the existing Paragraph 2 of Annex 2 of the AoA with a view to including certain policies and services designed to promote rural development and poverty alleviation adopted in developing countries;

(ii) To modify the existing footnote 5 of Annex 2 of the AoA so as to provide that acquisition of stocks of foodstuffs by developing-country members with the objective of supporting low-income or resource-poor producers shall not be required to be accounted for in the Aggregate Measurement of Support (AMS);

(iii) To modify the existing footnotes 5 and 6 of Annex 2 of the AoA with a view to reinforcing and supplementing the proposed modification to footnote 5 and also strengthening the existing footnotes 5 and 6 further so as also to cover the programmes designed to lower prices to more reasonable levels (as compared to the 1986-88 reference period prices for AMS calculation).

Indonesia also said "the existing provisions on public stockholding for food security purpose under the current WTO rules will not be able to address the real need of developing members to effectively support their low-income or resource-poor farmers, nor to fight hunger and rural poverty."

More importantly, the AoA does not provide "adequate policy space" for developing countries to implement their justifiable food security programmes.

This is more so in the context of "higher inflation and increasing wages in developing countries that have been building up over the years – which are eroding and inundating the flexibility", Indonesia said.

Therefore, the envisaged permanent solution "must work for all developing countries who are facing food security challenges but are constrained by the current inequitable Uruguay Round disciplines", Indonesia emphasized.

In his introductory remarks at the 17 March meeting, Azevedo said that the permanent solution is neither an Indian issue nor an issue of the G33, according to a trade envoy present at the meeting. He acknowledged that it is a "collective members' issue" and therefore every member has to work hard to find the permanent solution given the short time before the eleventh Ministerial Conference.

Azevedo also suggested that the permanent solution must be found between the G33 proposal and the interim solution agreed by the trade ministers at the WTO's ninth Ministerial Conference in Bali in 2013.

But the moot issue is whether he can convince the likes of Brazil, the United States, Canada, the European Union, Paraguay, Pakistan, Thailand and Australia which have repeatedly stonewalled attempts to engage in a serious conversation based on the G33 proposal on grounds that it would undermine the AoA.

At a time when major developed countries have shifted their Amber Box subsidy payments to the Green Box, which includes \$150 billion in subsidies for the food stamps programme in the US, it has become easy to frustrate the G33's efforts to find a credible permanent solution, said a former trade envoy from an industrialized country.

### Inflexible positions

In response to Azevedo's remarks, Canada, Pakistan, Paraguay, the European Union and Thailand, among others, stuck to their inflexible positions.

Canada, for example, said that the G33 proposal for the permanent solution offers "carte blanche", implying unrestricted policy space to developing countries. Further, market price support programmes underlying the PSH cannot be included in the Green Box and such a scheme is a red line and not politically viable, Canada maintained, according to trade envoys present at the meeting. Canada suggested rhetorically that if the Indian Food Corporation procures wheat at prices double the market prices, it would have an impact on the international market. Therefore, the permanent solution must take into consideration the systemic/export impact on the AoA, Canada said.

Canada further said the permanent solution for PSH could have potential impact on import displacement. It sought to know why no developing country had notified the market purchase programmes.

Canada vehemently argued at the meeting that the interim solution for PSH which was agreed at Bali offered a fine balance between food security and potential distortions, suggesting that members need to go back to the original proposal.

Pakistan said that it doesn't deny the importance of food security but that food security cannot be equated with stockholding programmes. It suggested the need for transparency about public stockholding programmes. Further, it argued, the permanent solution must include adequate safeguards to ensure that it doesn't contribute to unsustainable production and gains for middle-

men.

Paraguay said the permanent solution must not lead to trade-distorting support.

The EU said there are two sides to the issue of the permanent solution for PSH. It said the *carte blanche* approach for including market price support programmes in the Green Box would not work. The EU suggested that it is possible to work on the basis of a permanent solution based on the interim solution.

The other side, maintained the EU, is that if members want a much broader solution of changing the rules, then it can be possible only in the context of broader negotiations on domestic support.

Norway said the interim solution is a good basis and it has to be implemented in toto, while Japan asked the G33 proponents to provide data and information about their current programmes.

The US said it does not have political guidance yet but argued that the proposed permanent solution must not take things backwards, implying that more flexibilities cannot be added to the existing interim solution.

India maintained that the G33 had already offered the options for finalizing the permanent solution. It said that there has to be legal certainty to the permanent solution as and when it is finalized before the eleventh Ministerial Conference.

In short, the G33 members face a herculean battle in the next nine months for ensuring an outcome that would provide a credible and legally sound permanent solution for PSH for all developing countries at the Buenos Aires meeting in December, trade envoys said. (SUNS8426) □

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# Indian TFS draft faces sharp questions, intense scrutiny

India's proposal for an agreement on trade facilitation in services has come in for some vigorous questioning at the WTO, reports *D. Ravi Kanth*.

GENEVA: Many developing and least-developed countries, including members of the African Group, sharply questioned India at the WTO on 16 March over its proposal to negotiate a standalone agreement on trade facilitation in services (TFS) without any prior mandate, services negotiators told the *South-North Development Monitor (SUNS)*.

The Indian proposal also came under intense scrutiny from major industrialized countries on grounds that it would impose commitments in areas such as data flow of information, portability of insurance in Mode 2, and social security payments and economic needs tests in Mode 4, among other issues.

It faced difficult and sharply different questions from different members depending upon their overall trade priorities, said several services negotiators who asked not to be quoted.

## Indian draft text

At the 16 March regular meeting of the WTO Council for Trade in Services, India presented the salient features of the draft legal text on areas outside the domestic regulation disciplines such as cross-border services in Mode 1, consumption abroad in Mode 2, and several issues concerning improvements in the movement of natural persons in Mode 4. (India had touched on the domestic regulation aspects of its TFS proposal at a separate WTO meeting on 14 March – see following article.)

The 14 articles set out in the Indian draft legal text cover a range of issues such as transparency-related provisions, administration of measures such as single window clearance, fees and charges, administration of economic needs test, cross-border insurance coverage for promoting medical tourism in Mode 2, and “provisions facilitating movement of natural persons (grant of temporary entry, multiple entry and social security contributions) in Mode 4.”

India seeks better cooperation among competent authorities and institutional arrangements such as establishing a “committee on trade facilitation in

services” and “national committee on trade facilitation in services.”

In Article 14, it says the TFS Agreement, when it is negotiated and agreed, “shall” require the developed countries to implement the provisions as and when it enters into force. But “developing country members shall not be required to apply the provisions for a period of [X] years from their date of entry into force.” Further, the developing countries can ask for extension “before the end of this transitional period” for implementing the disciplines.

India explained “cross-border insurance coverage” in respect of health-related services availed in another member and “members shall endeavour to expedite the processing of immigration formalities in respect of service consumers who are seeking medical services or such other services that are urgent and / or essential.”

In Article 9 concerning “provisions facilitating movement of natural persons,” India is asking WTO members to negotiate on “grant of temporary entry,” including “develop[ing] a scheme for GATS [WTO General Agreement on Trade in Services] visa applicable for categories of natural persons committed in their schedule of specific commitments”, granting “multiple entry” to services suppliers, and exempting short-term services providers from social security contributions in the foreign country where the services are going to be provided.

India also wants that where social security contributions are not exempted, the member which has collected the contribution “shall refund such contribution, or the unused portion thereof, to the short-term services provider at the time such short-term providers return to his / her home country.”

## Questions

In response to India's proposal, there were two sets of questions from members. Many developed and some developing countries that took part in the failed plurilateral initiative on a Trade in Services Agreement (TiSA) grilled India as to how it could come up with issues

that ostensibly dealt with immigration, data flows of information, portability of insurance and social security contributions – which failed to find any consensus over the years.

The second set of questions, raised by the African Group and the least-developed countries (LDCs), revolved around lack of mandate and questionable long-term benefits for the African countries.

On the first set of questions, the European Union asked India about two issues, according to negotiators present at the meeting:

(i) the usefulness of a formal agreement on TFS when the format of such an agreement doesn't seem flexible;

(ii) the concerted attempt in the Indian proposal to address issues outside the trade policy remit such as immigration, portability of insurance for the health sector, social security contributions and immigration procedures.

Australia said that it is ready to work for facilitating services in Mode 4 but posed sharp questions on how India proposed elimination of hurdles in cross-border supply of services, particularly data flow of information.

Canada drew red lines on issues concerning social security policies and immigration of services.

On behalf of the African Group, South Africa reiterated the comments it made during the meeting of the Working Party on Domestic Regulation on 14 March (see following article).

The African Group acknowledged the constraints faced by Indian services suppliers in foreign markets, which was also the case with the African countries that have a comparative advantage in supplying lower-skilled workers.

But the group sought to know from India whether it is realistic in “the current political climate” to present a proposal that would take away the right to regulate services.

South Africa said that members of the African Group are not clear about what the proposed TFS agreement means for developing and least-developed countries.

Moreover, the Indian proposal imposes several new and potentially onerous multilateral obligations on African countries, South Africa said.

Significantly, the Indian proposal is “extremely broad” in its scope, particularly in an area such as trade in services, and inappropriately built on the lines of the Trade Facilitation Agreement for

goods which deals only with customs provisions, South Africa said.

India is seeking an entirely new services agreement in which the long-term gains for African countries, which are net importers of services, remain few and far between, argued South Africa.

South Africa also maintained that there is no negotiating mandate for elements in the Indian proposal barring a subset of issues in the domestic regulation of GATS Article VI.4 mandate. The issue of mandate, it emphasized, must not be taken lightly as developing countries want mandates to be adhered to in the rules-based WTO.

South Africa spoke about the enhanced transparency obligations that go even beyond GATS Article III despite the avowed goal of TFS to be a development-centred proposal. The reality is that for many African countries, in particular LDCs, there is no capacity or resources to comply with the transparency obligations proposed.

South Africa said that the African Group is concerned about how the proposed TFS agreement would impact on its members' right to regulate.

The administration of measures enumerated by India seems "extremely broad and appears to expand the market access commitments Members have taken", South Africa maintained.

On behalf of the LDCs, Uganda welcomed the Indian proposal on TFS on grounds that the poorest countries want enhanced preferential treatment for their services exporters through reduction of fees and charges, including social security charges when supplying services through Mode 4. Uganda said LDCs supplying a service on a temporary contract should not be charged social security deductions.

Uganda also welcomed "ways to reduce obstacles to Mode 4 market access such as multiple entry visas and a possible GATS visa", as proposed by India.

However, the LDCs raised the following preliminary questions:

- Can India clarify why the disciplines would apply to Article 2 on publication requirements and Article 8.2 – Facilitating Consumption Abroad emergency authorization, regardless of whether countries have scheduled the sector or not? If a member schedules only a sub-sector, does that mean the entire sector is captured under the disciplines?
- On single window, India has made the distinction between competent authorities for authorization and immi-

gration, respectively. However, is single window operable in services where members could have scheduled a number of sectors and services in domestic regimes that are diverse with a number of specialized competent authorities? Has India conducted any cost analysis of how this would work in services?

- Does the TFS proposal involving market access areas such as economic needs tests, Modes 1, 2 and 4, modify the architecture of the GATS and the flexibilities for developing countries found in GATS Articles IV and XIX?

In a nutshell, when major industrialized countries are slamming doors on

short-term services providers and denying medical tourism through portable insurance schemes, India ought to have carefully assessed the timing of such a proposal and whether it falls in the mandate, which is an imperative for negotiating any agreement at the WTO.

More importantly, at a time when the developed and some developing countries are pushing for electronic commerce negotiations without any mandate, which was opposed by India, it remains moot as to how it came up itself with a proposal that has no mandate, services negotiators argued. (SUNS8425) □

## GATS DR disciplines hinge on progress in agriculture

**The Indian TFS proposal got an earlier airing at another WTO meeting which also saw many developing countries voice concerns over proposed disciplines to streamline domestic regulations on services trade.**

by D. Ravi Kanth

GENEVA: Members of the African Group along with the least-developed countries on 14 March delivered the strongest message yet that any potential deliverables in domestic regulation disciplines at the WTO's eleventh Ministerial Conference in Buenos Aires will hinge on commensurate results in other areas of the Doha Development Round (DDR), particularly agriculture, services negotiators told the *South-North Development Monitor* (SUNS).

On India's proposal for substantive commitments as part of a new agreement on trade facilitation in services (TFS), the African Group said it is extremely "broad" without any mandate at this juncture. The Indian proposal would impose burdensome multilateral obligations for members, the African Group suggested.

During the 14 March meeting of the WTO Working Party on Domestic Regulation (WPDR), many developing and least-developed countries severely criticized proposals on "transparency" and "development of measures" by Australia, Canada, Colombia, the European Union, Israel, Japan and Mexico; and "administration of measures" by Australia, Chile, Colombia, the EU, Japan, Mexico, Norway, Peru, Korea and Chinese Taipei.

Bolivia said the proposals by major developed and several developing coun-

tries on transparency, development of measures and administration of measures in domestic regulation (DR) do not seek any improvements in Mode 4 concerning short-term movement of services providers. They would also curb the right to regulate services in politically sensitive areas, Bolivia said, suggesting that the proposal would also deny "regulatory policy space" for developing countries.

Speaking for the African Group, South Africa said African countries are not demandeurs for DR disciplines. But they want the right to regulate and to introduce new regulations concerning the supply of services for accomplishing their overall developmental policy objectives.

The African Group reminded the proponents that work on improving disciplines in DR as per Article VI.4 of the General Agreement on Trade in Services (GATS) is part of the overall development round as mandated in the Doha Development Agenda (DDA). Without internal balance in each area, particularly agriculture, and balance among all DDA issues, it would be naive to work on DR, the African Group cautioned.

Moreover, the general thrust of the proposals on transparency, development of measures and administration of measures, as set out in the separate proposals by the proponents, imposes burden-

some regulatory disciplines that go far beyond the GATS Article VI.4 mandate.

Article VI.4 of GATS states: "With a view to ensuring that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services, the Council for Trade in Services shall, through appropriate bodies it may establish, develop any necessary disciplines. Such disciplines shall aim to ensure that such requirements are, *inter alia*: (a) based on objective and transparent criteria, such as competence and the ability to supply the service; (b) not more burdensome than necessary to ensure the quality of the service; (c) in the case of licensing procedures, not in themselves a restriction on the supply of the service."

The African Group asked the proponents why they are seeking "a piecemeal approach and fragmentation of the proposals" and why they are not tabling "a single working document".

It reiterated the Group's commitment to engaging in the discussions but on the condition that there is movement across all areas of the DDA, according to negotiators who were present at the meeting.

On behalf of the least-developed countries (LDCs), Uganda said that "over the years, the LDCs' services trade deficit has widened from \$16.43 billion in 2005 to \$39 billion in 2015. Being net importers of commercial services, the LDCs will face further erosion in their export of services because of domestic regulation disciplines being demanded by the proponents."

Uganda said that domestic regulation disciplines imply effective market access and the LDCs will be granting "unfettered" market access because of DR. Therefore, any deliverable on domestic regulation must state explicitly that "LDCs shall not be required to apply these disciplines ... LDCs are nonetheless encouraged to apply these disciplines, to the extent compatible with their special economic situation and their development, trade and financial need."

The LDCs also expressed sharp concern on the application of a necessity test in the proposal on development of measures circulated by Hong Kong-China and New Zealand. It raised several questions on what is meant by the "objective" and "transparent measures".

Cuba said the original draft text on DR circulated by Peter Govindasamy in 2009 must remain the basis while insist-

ing that DR cannot be dealt with in isolation without resolving the unfinished DDA issues, particularly the special safeguard mechanism and the permanent solution for public stockholding programmes for food security.

Ecuador said the proposals by the proponents on DR seem to be "very intrusive" and might compromise policy space for development objectives.

Venezuela concurred with Ecuador that the DR proposals impose burdensome requirements on developing countries.

But Thailand, New Zealand and several other countries welcomed the proposals on transparency, development of measures and administration of measures for improving DR disciplines.

### TFS proposal

Meanwhile, India made a PowerPoint presentation of its draft legal text on trade facilitation in services (TFS) at the WPDR meeting, seeking a constructive dialogue.

The underlying rationale for TFS, India said, is to remove the hurdles in global trade in services along the lines of the Trade Facilitation Agreement for goods, so as to ensure that market access remains "effective" and "commercially" meaningful.

The TFS agreement, India emphasized, is not about "new market access". India explained the provisions in the 13-page draft legal text, suggesting that it is ready to continue negotiations both bilaterally and in various groups.

Ecuador said while it is not a demandeur in services, it is willing to discuss issues concerning the movement of short-term services providers as set out in the Indian proposal.

Brazil praised the Indian proposal as "balanced" and "reasonable", suggesting that it is ready to engage in serious discussions.

Peru said it is ready to engage in further discussions on administration of economic needs tests but cautioned that short-term results are difficult.

Venezuela and Bolivia said the TFS agreement would impose an additional burden on developing countries and goes beyond Article VI.4 of GATS.

Turkey praised India for presenting a bold proposal on TFS which covers several issues in Mode 4 and cross-border insurance. Turkey said it is ready to support the Indian proposal.

Canada said it is still studying the

Indian proposal, while the EU welcomed TFS, suggesting the "overarching notion is valuable and promising."

The EU suggested that substance in the Indian proposal should prevail over form, arguing that it has large domestic regulation provisions.

On behalf of the African Group, South Africa said while it shares the constraints the Indian services suppliers are continuing to face, the African countries would benefit from removing hurdles in the movement of short-term services providers.

South Africa expressed surprise over the timing of the Indian proposal on TFS against the backdrop of a worsening political climate.

The African Group, according to South Africa, is concerned about several new and potentially onerous multilateral commitments proposed by India without any existing mandate at this juncture.

The TFS proposal is "extremely broad" and appears to be inappropriate. Further, the enhanced transparency obligations in the Indian proposal go beyond GATS Article III, South Africa suggested.

Instead of a development-centred proposal, the TFS actually imposes burdensome requirements on many African countries, particularly the LDCs, South Africa said.

It maintained that provisions such as the creation of a "single window", resolution of appeals on a fast track and several other elements are costly and difficult for African countries to implement at this juncture.

South Africa reminded India that the proposed TFS agreement cannot be fitted into the Trade Facilitation Agreement template that centres around customs procedures. It also questioned whether the agreement will offer any long-term gains for African countries which are net services importers, according to negotiators who asked not to be quoted.

Nevertheless, the African Group said, it will work with India for addressing issues concerning the movement of short-term services providers in Mode 4 in the TFS proposal.

In short, India's proposal on TFS was welcomed more by developed and several advanced developing countries. Many African and other developing countries remained concerned about the Indian proposal on the grounds that it would impose burdensome commitments at a time when they are net importers of services. (SUNS8423) □

# Reform global IP rights, investment regimes

Global institutions that are part of the world economic, social and political order can be improved by, among other measures, reforming intellectual property rights and investor protection systems, suggests the UN Development Programme (UNDP).

by Kanaga Raja

GENEVA: The United Nations Development Programme (UNDP) has called for the reform of both the global intellectual property (IP) rights and global investor protection regimes as one of the options aimed at making better global institutions by promoting global public goods.

In its chapter on “Transforming global institutions”, UNDP’s *Human Development Report 2016 (HDR)* said that a fair system regulating the flow of goods, services, knowledge and productive investment is a global public good.

In the report, which was released on 21 March and is titled “Human Development for Everyone”, UNDP said that the world order and its effects on human development depend on the quality of global institutions. While national policies can facilitate a country’s insertion in global society, a good economic, social and political order requires institutions to coordinate the collective actions of all countries, it said.

Among the options for reform cited by the report aimed at making better global institutions by promoting global public goods are: stabilizing the world economy, applying fair trade and investment rules, adopting a fair system of migration, coordinating taxes and monitoring finance globally, making the world economy sustainable, assuring greater equity and legitimacy of multilateral institutions, as well as ensuring well-funded multilateralism and cooperation.

## Fair trade and investment rules

On applying fair trade and investment rules, the report said that international trade has been a strong engine of development for many countries, particularly in Asia. But two problems are now crucial. First, trade rules – including their extension to intellectual property rights and investment protection treaties – tend to favour developed countries. Second, world trade has slowed in recent years, which might reduce opportunities for developing countries.

“The international agenda should be

to set rules to expand trade of goods, services and knowledge to favour human development and the Sustainable Development Goals,” said UNDP.

For developing countries, one of the most important global public goods would be “a fair and well functioning” World Trade Organization (WTO). There is hope, UNDP said, pointing out that as developing countries have gained negotiating power, multilateral agreements can, despite their limitations, become a tool for fairer trade. The Doha Round intends to add development principles to trade rules, by introducing implementation issues to ease the ability of developing countries to perform WTO obligations, by addressing imbalances in agricultural subsidy regimes and by strengthening and operationalizing special and differential treatment.

“Assessing the usefulness of the current intellectual property rights regime to meet the Sustainable Development Goals could be a basis for reform,” said the report.

The *HDR* pointed to two Sustainable Development Goals that are particularly sensitive to property rights: the promotion of healthy life and well-being for all (Sustainable Development Goal 3), and the technology facilitation mechanism, introduced in the Addis Ababa Action Agenda (Sustainable Development Goal 17).

The report noted that the UN Secretary-General’s High-Level Panel on Access to Medicines has recommended that WTO members revise agreements on Trade-Related Aspects of Intellectual Property Rights (TRIPS) to enable a swift and expeditious export of essential medicines produced under compulsory licence to countries that cannot produce them themselves.

In practice, priority should be given to medicines on the World Health Organization Model List of Essential Medicines.

A similar principle should be used with the technology facilitation mechanism: Every year technologies critical to

achieving the Sustainable Development Goals should be identified (in a forum proposed by the Addis Agenda), as should the obstacles to their adoption.

In this context, said UNDP, “if intellectual property rights enforced through World Trade Organization mechanisms prove to be an obstacle to the timely diffusion of required technology, the international community must take a hard look at reshaping the way such assets are protected and remunerated internationally.”

Progress in this direction could be particularly important in fighting climate change, since technology diffusion is essential to decouple GDP growth from greenhouse gas emissions.

The report said while investors and their property rights have to be properly defended against arbitrariness, most bilateral investment treaties with developing countries have been negotiated asymmetrically. “Developing countries should use the available legal space to reassess and change the models of these treaties.”

The report noted that South Africa, after consultations with the investment community, has allowed existing bilateral investment treaties to lapse and locates investor protections in a domestic law effective December 2015.

Brazil has negotiated new treaties with Angola, Chile, Colombia, Malawi, Mexico, Mozambique and Peru based on a core model of investment facilitation and cooperation. The Brazilian approach generally rejects investor-state arbitration to resolve disputes.

India’s new model protects the investor instead of the investment. And it requires the exhaustion of domestic remedies before arbitration can be triggered.

## New global challenges

The UNDP report highlighted that the current global landscape is very different from what the world faced in 1990. New global challenges threaten the 2030 Agenda for “leaving no one behind.” It said inequality and exclusion, violence and extremism, refugees and migration, pollution and environmental degradation are all caused by humans and their interactions, particularly across borders. That is why their solution depends not only on the actions of individual countries, but also on the construction of global collective capabilities to achieve results that no country can on its own.

Uncoordinated national policies addressing global challenges – cutting

greenhouse gas emissions, protecting labour rights, ensuring minimum incomes, cooperating to strengthen fragile states, providing humanitarian aid and refuge to those extremely endangered – are bound to be insufficient because of the existence of externalities.

“So global and regional institutions are necessary to bring systematic attention, monitoring and coordination to key global issues.”

It said that international institutions and the resulting world order have enabled considerable progress in human development. But these institutions have also coexisted with persistent extreme deprivation – leaving behind large segments of the world population – and persistent human insecurity. The mixed success calls for reforms, with an agenda that keeps what works and addresses evident gaps.

UNDP said that asymmetries persist in the way countries participate in global markets, in defining rules, in financing compensatory mechanisms and in having the capacity to pursue accountability.

“These inequalities constitute barriers to practical universalism and compromise fairness, as some groups have decisive advantages in defining both the rules of the game and the payoffs. The winners and losers of globalization depend on the way globalization is pursued,” UNDP added.

To respond to these challenges, global institutions can enhance collective capabilities. They can expand opportunities for international exchange (including people, knowledge, goods, services and capital), both for cooperation and for participation and accountability.

But there is tension between globalization and democratic national policymaking, UNDP said, noting that international rules can constrain some national policies, including those that today’s developed countries used in the past.

“The governance of multilateral institutions is important not only for achieving their key functions, but also for expanding the collective capabilities among nations. An appropriate structure ensures the legitimacy and the quality of the work of such institutions.”

### International trade governance

The governance of international trade is dominated by rules – the General Agreement on Tariffs and Trade and its successor, the World Trade Organization. They have favoured trade expan-

sion in a context of generalized trade liberalization in developing countries as a result of structural adjustment in the 1980s and 1990s.

“However, the rules affect national space to define public policies. In particular, they limit the use of trade policy to support sectoral or industrial development (policies used in the past by today’s developed countries to promote their industries).”

In addition, some rules can restrict the use of social policy, such as India’s National Food Security Act, said the report. It noted that India’s National Food Security Act of 2013 grants the “right to food” in the biggest ever food safety net programme, distributing highly subsidized food grain (61 million tonnes) to 67% of the population. The scale of buying grain from poor farmers for sale to poorer consumers put India at risk of violating its WTO obligations in agriculture. WTO members are subject to trade sanctions if they breach a ceiling on their agricultural subsidies. But the method of calculating the ceiling is fixed on the basis of 1986-88 prices and in national currency, an unusually low baseline.

“This clear asymmetry in international rules reduces national space for development policy,” said the report.

India, as other developing countries, did not have large agricultural subsidies when the rules were originally agreed. Its National Food Security Act – which aims to stave off hunger for 840 million people and which can play a pivotal role in the UN agenda to end hunger everywhere – is being challenged because it raises India’s direct food subsidy bill from roughly \$15 billion a year to \$21 billion. In comparison, the United States increased its agricultural domestic support from \$60 billion in 1995 to \$140 billion in 2013.

“The matter has not been resolved, except for a negotiated pause in dispute actions against countries with existing programmes that notify the World Trade Organization and promise to negotiate a permanent solution.”

The report also said that the WTO’s Doha Development Round offered some space for rebalancing the rules, this time towards a development-oriented perspective. But progress on the key issues of this round, under negotiation since 2001, has been limited. With the Doha Round stalled, international trade rules have been dominated by regional and bilateral trade agreements, where protecting investments and intellectual property rights have become central.

“In practice, industrial countries (the

main source of foreign direct investment and patents) use such agreements to obtain benefits. The payments of royalties and licences from developing to developed countries (particularly to the United States) have grown immensely since 1990.”

### Investment agreements

According to UNDP, international investment agreements and bilateral investment treaties might restrict governments’ ability to define national policies and standards. These agreements often define expropriation as an action that reduces investors’ expected profits – a very broad definition that is ripe for litigation. An international entity, in most cases the International Centre for Settlement of Investment Disputes, resolves disputes related to these instruments.

Proper regulation of foreign corporations might become difficult, said UNDP. As an example, it noted that in October 2012 an arbitration tribunal of the International Centre for Settlement of Investment Disputes ruled against Ecuador in a case brought by Occidental Petroleum Corporation and Occidental Exploration and Production Company under the United States-Ecuador Bilateral Investment Treaty. It imposed a penalty on Ecuador of \$1.8 billion plus compound interest and litigation costs, bringing the award to \$2.3 billion.

What legal observers found striking about this judgement is that the tribunal recognized that Ecuador cancelled its contract because the company violated a key clause (selling 40% of the concession to another company without permission) but found that Ecuador violated the obligation of “fair and equitable treatment” under the United States-Ecuador Bilateral Investment Treaty, said UNDP.

Most countries have signed some of the 2,958 bilateral investment treaties recorded by the United Nations Conference on Trade and Development.

Among other findings in the *HDR* are that the resources channelled through the main global institutions are modest.

In 2014 official development assistance was a mere 0.17% of world GDP. UN spending in 2014 was 0.06% of world GDP. Lending from the main international financial institutions has also been limited: International Monetary Fund (IMF) disbursements were 0.04% of world GDP, and multilateral development bank disbursements were 0.09% of world GDP.

“If directed to one goal, these resources make a difference. But they are

often directed to multiple fronts, some associated with deprivations and some with global public goods (with increasing demand, as for peace and security)."

The funding of global institutions appears inadequate for achieving international targets. The Sustainable Development Goals, far broader than the Mil-

lennium Development Goals, require investments in developing countries of \$3.3-4.5 trillion over the next 15 years. Subtracting current annual investments of \$1.4 trillion, the resource gap is around \$2.5 trillion (around 3% of world GDP in current prices), said the report. (SUNS8429) □

## Discrimination compounds global inequality

Poverty and exclusion are often related to persistent discrimination, the UNDP *Human Development Report* maintains.

by Lyndal Rowlands

NEW YORK: Despite 25 years of impressive global development, many people are not benefiting from progress due to persistent discrimination, according to a UN report released on 21 March.

The *Human Development Report 2016* found that overall human development has improved significantly across all regions of the world since 1990. Yet despite these general improvements, poverty and inequality have persisted.

"The world has come a long way in rolling back extreme poverty, in improving access to education, health and sanitation, and in expanding possibilities for women and girls," said UN Development Programme (UNDP) Administrator Helen Clark at the report's launch. "But those gains are a prelude to the next, possibly tougher challenge, to ensure the benefits of global progress reach everyone."

The report described how poverty and exclusion have remained, even in developed countries, where over 300 million people – including more than one-third of all children – live in relative poverty.

### Discrimination

The reasons for poverty and exclusion are often related to discrimination based on race, gender or migration status, the report found.

Some of those most likely to live in poverty include indigenous people and people with disabilities.

Meanwhile, more than 250 million people worldwide face discrimination solely on the basis of caste or another similar inherited lower status within society.

"By eliminating deep, persistent,

discriminatory social norms and laws, and addressing the unequal access to political participation, which have hindered progress for so many, poverty can be eradicated and a peaceful, just, and sustainable development can be achieved for all," Clark said.

The largest group to be discriminated against globally is women and girls. Women are still poorer and earn less than men in every country globally, and in 18 countries, women need their husbands' approval to work, the report

found. Women now make up slightly less than half of the world's population due to discrimination before and at birth through sex-selective abortion and infanticide.

"We place too much attention on national averages, which often mask enormous variations in people's lives," said the lead author of the report, Selim Jahan. "In order to advance, we need to examine more closely not just what has been achieved, but also who has been excluded and why."

Other examples in the report include the indigenous Parakana, Asurini and Parkateje peoples of Brazil who were among more than 25,000 people forced to relocate due to the construction of the Tucuruí Dam. "Poor resettlement planning split up communities and forced them to relocate several times," the report found.

Norway, Australia and Switzerland again topped the annual report's Human Development Index rankings as the world's three most developed countries.

Those countries with the lowest levels of human development were mostly in Sub-Saharan Africa and the Pacific.

Syria was ranked 149th of 188 countries, a sharp fall from 107 in 2009 before the Syrian conflict began. (IPS) □

## CSOs launch Europe-wide patent challenge on hepatitis C drug

European civil society organizations are disputing a patent on a hepatitis C drug which has restricted affordable access to this life-saving treatment.

by Kanaga Raja

GENEVA: The international medical humanitarian organization Medecins Sans Frontieres (MSF) has joined a number of other civil society organizations from 17 European countries in simultaneously filing patent challenges with the European Patent Office on the hepatitis C drug sofosbuvir.

In a press release, MSF said that the patent challenges were filed on 27 March on the pharmaceutical corporation Gilead's monopoly on sofosbuvir, in a bid to remove the barriers that prevent millions of people receiving treatment for hepatitis C.

"With an estimated 80 million people worldwide living with hepatitis C, treatment should be available to everyone who needs it, no matter where

they live – including in Europe," said Isaac Chikwanha, Hepatitis C Medical Advisor for MSF's Access Campaign.

"The price of sofosbuvir is keeping treatment out of reach for millions of people who need it, and treatment is being rationed or is just unavailable across the globe, including in many of the countries where MSF works, such as Russia, and many other middle-income countries including Thailand and Brazil. A drug that cures doesn't do any good if the people who need it can't afford it," he added.

According to the MSF press release, sofosbuvir forms the backbone of most hepatitis C combination treatments for people, one of a range of oral "direct-acting antivirals (DAA)" to come to market

within the last four years that has caused cure rates to skyrocket.

In Europe, Gilead charges as much as \$59,000 per 12-week sofosbuvir treatment. In the United States, Gilead initially set the price at \$84,000, or a staggering \$1,000 per pill.

Meanwhile, studies have shown that it costs less than \$1 per pill to produce the drug, said MSF.

"Gilead's patent monopolies on sofosbuvir are blocking access to affordable hepatitis C treatment, including generic versions, in many countries including those in Europe," said Alienor Devaliere, EU Policy Advisor for MSF's Access Campaign. "This patent can – and should – be challenged; the science behind sofosbuvir isn't new."

According to MSF, access to affordable medicines has become a global challenge. Countries where Gilead retains monopoly control over sofosbuvir cannot import or produce generic versions. For many people living in some middle-income countries, Gilead's restrictive voluntary licensing agreements still keep sofosbuvir out of reach for people and their governments, said MSF.

It pointed out that patent challenges – or patent oppositions – can remove or shorten the length of a patent and enable the robust generic competition needed to dramatically reduce prices.

Key patents on sofosbuvir have already been revoked in China and Ukraine, and decisions are pending in other countries, including Argentina, India, Brazil, Russia and Thailand, it said.

"Successful patent oppositions have created access to life-saving drugs for millions of people in the past, and are now being employed as a legal measure to improve access to hepatitis C treatment," said Yuanquiong Hu, Legal Advisor for MSF's Access Campaign.

"MSF has filed or supported patent challenges in many countries. People all over the world, and in the projects where MSF works, need affordable access to life-saving medicines."

MSF underlined that if the patent challenge is successful, it could accelerate the availability of affordable generic versions of sofosbuvir in Europe.

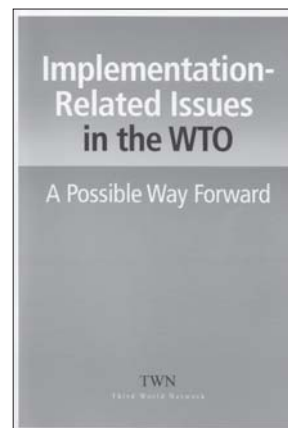
It would also encourage all countries to take measures to open up access to affordable generic versions of sofosbuvir

## Implementation-Related Issues in the WTO: A Possible Way Forward

The set of multilateral agreements under the jurisdiction of the World Trade Organization (WTO) governs the conduct of international trade. Implementation of the commitments imposed by these agreements has, however, given rise to a host of problems for the WTO's developing-country members, ranging from non-realization of anticipated benefits to imbalances in the rules.

These implementation-related issues have been on the WTO agenda for over a decade, yet meaningful resolution is still proving elusive. This paper documents the progress – or, more appropriately, lack thereof – in the treatment of the implementation issues over the years. It looks at the various decisions adopted, to little effect thus far, by the WTO in this area, including the 2001 Doha Declaration which incorporates the implementation issues into the remit of the ongoing Doha round trade talks.

The paper exhorts the developing countries to draw upon the Doha mandate to bring the implementation issues back to the centrestage of negotiations. As a practical measure given the resource constraints developing-country negotiators face in the WTO, it is proposed that the implementation issues be taken up according to a suggested order of priority. Prioritization notwithstanding, the paper stresses that developing countries have every right to seek solutions to each of these longstanding, long-neglected issues.



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(continued on page 16)

# The robots are coming, your job is at risk

Deepening use of automation is threatening mass displacement of jobs everywhere, and developing countries could be the worst hit.

by Martin Khor

Last year Uber started testing driverless cars, with humans inside to make corrections in case something goes wrong. If the tests go well, Uber will presumably replace its present army of drivers with fleets of the new cars.

Some personally owned cars can already do automatic parking. Is it a matter of time before Uber, taxis and personal vehicles will all be smart enough to bring us from point A to point B without our having to do anything ourselves?

But in this application of “artificial intelligence”, in which machines can have human cognitive functions built into them, what will happen to jobs? It is estimated that in the US alone, 4-5 million drivers of trucks and taxis could be rendered unemployed.

The driverless vehicle is just one example of the technological revolution that is going to drastically transform the world of work and living. There is concern that the march of automation tied with digital technology will cause dislocation in many factories and offices, and eventually lead to mass unemployment.

Just a day before he left office, former US President Barack Obama warned in a farewell interview that “jobs are going away because of automation and that’s going to accelerate,” pointing to “driverless Uber” and “displacement that’s going to take place in office buildings across the country.”

Also voicing concern about the social impact of automation, Microsoft co-founder Bill Gates recently proposed that governments should impose a tax on robots. Companies using robots should have to pay taxes on the incomes attributed to the use of robotics.

That proposal has caused an uproar, with mainstream economists like Lawrence Summers, a former US Treasury Secretary, condemning it for putting brakes on technological advancement. One critic suggested that the first company to pay taxes for causing automation should be Microsoft.

However, the tax-on-robots idea is one response to growing fears that the automation revolution will increase inequality as many lose their jobs while a few reap the benefits of increased productivity and profitability.

The new technologies will cause uncontrollable disruption and add to the

social discontent and political upheaval in the West which had fuelled the anti-establishment votes for Brexit and Donald Trump.

## Disruption in developing countries

Recent studies are showing that deepening use of automation will cause widespread disruption in many sectors and even whole economies. Worse, it is the developing countries that are estimated to lose the most, and this will exacerbate the already great global inequalities.

The risk of automation to jobs in developing countries is estimated to range from 55-85%, according to a study in 2016 by Oxford University’s Martin School and Citi. Major emerging economies will be at high risk, including China (77%) and India (69%), higher than the OECD developed countries’ average risk of 57%.

The Oxford-Citi report, “The future is not what it used to be”, provides many reasons the automation revolution will be particularly disruptive in the developing countries.

Firstly, there is “premature de-industrialization” taking place as manufacturing is becoming less labour-intensive and many developing countries have reached the peak of their manufacturing jobs. Manufacturing processes are more automated today, also in low- and middle-income developing countries.

Secondly, while 20th-century technologies allowed companies to shift production abroad to take advantage of cheap labour, recent developments in robotics and additive manufacturing now enable firms to locate production closer to domestic markets in automated factories. Seventy percent of clients surveyed believe automation and 3D printing developments will encourage companies to move their manufacturing close to home.

China, South-East Asia and Latin America have the most to lose from this relocation, while North America, Europe and Japan are the main winners.

Thirdly, “the impact of automation may be more disruptive for developing countries, due to lower levels of consumer demand and limited social safety nets” as compared with the developed

countries, according to a summary of the Oxford Martin School report.

The report warns that developing countries may even have to rethink their overall development models as the old ones that were successful in generating growth in the past will not work anymore.

“In the light of these technological developments, industrialization is likely to yield substantially less manufacturing employment in the next generation of emerging economies than in the countries preceding them. Hence it will be increasingly difficult for African and South American manufacturing firms to create jobs in the same numbers that Asian countries have done. In other words, today’s low-income countries will not have the same possibility of achieving rapid growth by shifting workers from farms to higher-paying factory jobs.”

Instead of export-led manufacturing growth, developing countries will need to search for new growth models, said the report. “Service-led growth constitutes one option, but many low-skill services are now becoming equally automatable.”

It cites a World Bank report showing that developing countries are highly susceptible to their workforce being affected by increasing automation, even relative to advanced economies where labour costs are high. Moreover, countries with lower levels of GDP per capita typically have a higher share of their workforce “at risk”.

“Thus there are reasons to be concerned about the future of income convergence, as low income countries are relatively vulnerable to automation,” concludes the report.

Another series of reports, by McKinsey Global Institute, found that 49% of present work activities can be automated with currently demonstrated technology, and this translates into \$15.8 trillion in wages and 1.1 billion jobs globally. About 60% of all occupations could see 30% or more of their activities automated and 5% of jobs can be entirely automated. But more reassuringly, an author of the report, James Manyika, says the changes will take decades.

How automation affects jobs will not be decided simply by what is technically feasible. Other factors include economics, labour markets, regulations and social attitudes.

Which jobs are most susceptible? While most people think they would be in manufacturing, in fact many jobs in services will also be disrupted.

The McKinsey study lists accommodations and food services as the most vulnerable sector in the US, followed by

manufacturing and retail.

In accommodations and food, 73% of activities workers perform can be automated, including preparing, cooking or serving food, cleaning food-preparation areas, preparing beverages and collecting dirty dishes.

In manufacturing, 59% of all activities can be automated, especially physical activities or operating machinery in a predictable environment. Activities range from packaging products to loading materials on production equipment to welding to maintaining equipment.

For retailing, 53% of activities are automatable. They include stock management, packing objects, maintaining sales records, gathering customer and product information, and accounting.

A technology specialist writer and consultant, Shelly Palmer, has also listed elite white-collar jobs that are at risk from "robots" – which she defines as technologies, such as machine learning algorithms running on purpose-built computer platforms, that have been trained to perform tasks that currently require humans to perform. Those she assessed would be displaced include middle managers, salespersons, report writers, journalists and announcers, accountants, bookkeepers and doctors.

## Adverse effects

While some analysts are enthusiastic about the positive effects of the automation revolution, others are alarmed by its adverse effects.

Certainly, the technological trend will improve productivity per worker that remains, and increase the profitability of companies that survive. While there are benefits at the micro level for those companies and individuals that thrive in the new environment, there are adverse effects at macro level, especially retrenchment for those whose jobs are no longer needed.

What can be done to slow down automation or at least to cope with its adverse effects?

The Bill Gates proposal to tax robots is one of the most radical. The tax could slow down the technological changes and the funds generated by the tax could be used to mitigate the social effects.

Another radical idea which is generating a lot of debate is to provide "universal income" to everyone irrespective of whether they are working. The high productivity will allow everybody to be paid a comfortable income, and thus there is no need to worry that automa-

tion will displace jobs.

Governments can also take the attitude of "if you can't beat them, join them." For example, China is seeing major opportunities in joining the technological revolution and has drawn up plans to invest in robotics and artificial intelligence.

Other, more conventional proposals include upgrading the education of students and present employees to take on the new jobs required in managing or working with the automated production process, and training workers to be made redundant with the new skills needed to work in the new environment.

Overall, however, there is likely to be a net loss of employment, at least in the short term, and thus the potential for social discontent.

As for the developing countries in general, there will have to be much thinking of the implications of the new technologies for their immediate and long-term economic prospects, and a major rethinking of economic and development strategies is also called for. (IPS) □

*Martin Khor is the Executive Director of the South Centre, a think-tank for developing countries based in Geneva, and former Director of the Third World Network.*

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# The most remarkable rejection of free trade you've never heard of

Nigeria and Tanzania are turning their backs on proposed free trade deals with the European Union – and for good reason, explains *Rick Rowden*.

In one of the most under-reported major stories coming out of Africa, the dominant idea that “free trade” is the best development strategy for poor countries is being given its most thorough trouncing in decades.

By rejecting proposed free trade deals with the European Union (EU), one of Africa's largest oil producers, Nigeria, and one of the continent's fastest-growing economies, Tanzania, have poked the eye of the entire EU – not to mention Thatcher, Reagan, the Bretton Woods institutions and nearly every free-market economist from New Delhi to New York. And yet this incredible story has received very little press coverage outside the continent.

Both countries have dug their heels in by consistently refusing to sign on to proposed deals known as Economic Partnership Agreements (EPAs) which have been in the works for well over a decade. Although most exporters from African countries already have preferential duty-free access into the EU market, the new EPAs would gradually give similar tariff-free access to EU exports into African markets.

While Nigeria has opposed the EPA for the Economic Community of West African States for many years, Tanzania's new government under President John Magufuli surprised many last summer with a last-minute decision to back away from the EPA for the East African Community (EAC) region.

Both countries have recently adopted ambitious plans for industrialization. And the presidents, trade ministries and national manufacturing associations of both countries have all made it clear they are rejecting the EPAs with the EU explicitly because of concerns that the rules and restrictions within the proposed agreements would undermine their new industrialization strategies.

For example, when Nigeria's President Muhammadu Buhari addressed a special session of the European Parliament last year, he reiterated concerns that the rules of the EPA would work against the goals of Nigeria's industrialization strategy. In Tanzania, its parliament passed a unanimous resolution last November calling for the country to not sign the EPA for the EAC region for the same reason.

This sustained resistance by both countries has effectively led to a standstill in the finalization of EPAs for their respective regions in Africa, and exasperated the Europeans after more than a decade of negotiations. Their stand marks one of the most important displays of defiance seen in Africa since the campaigns for national independence from colonialism in the 1950s and 1970s.

At least two members of the European Parliament's trade committee, Maria Arena of Belgium and Julie Ward of the UK, have come out in support of Tanzania's position, arguing that the proposed EPA would be harmful to its prospects for industrialization.

Nigeria and Tanzania have raised many arguments for

why they believe the proposed EPAs would undermine their future efforts at industrialization, but according to Arena: “The EU is not responding to those concerns and has declared that it is impossible to reopen the negotiations.”

Arena underscored her view that the EPAs are trade liberalization agreements – not development agreements – and added, “Nigeria and Tanzania have legitimate concerns regarding the consequences for the development of their countries.” She believes the EU should be willing to address those concerns by reopening the discussions on the contentious issues “instead of pressuring them to sign on.”

## Short- vs long-term perspectives

A common problem in disputes over trade and development policy issues is that one side is talking about trade while the other is talking about development. Whereas trade negotiators usually focus on promoting exports in the short term, development economists think about how to transform agricultural economies into manufacturing ones over the long term, usually over several decades.

This explains in large part why Africa and Europe have spent the past 15 years talking across one another. While the Europeans were claiming the proposed agreements would help Africa to export more of what it currently produces today (agricultural and mineral commodities), the Africans have been worried about how the agreements would restrict what they might otherwise be able to produce in future decades (manufactured goods).

For now, it seems, the long-term developmental perspective is carrying the day in Nigeria and Tanzania. And this marks a profound turning point for Africa specifically, and for the dominance of the “free trade” development strategy generally. Among the main concerns being raised by Nigeria and Tanzania is that the EPAs call for African countries to lower nearly 80% of their protective trade tariffs on imports from the EU over a 25-year period, with nearly 60% of the tariffs eliminated upon finalization of the agreements.

The short-term view emphasized by the EU looks at how this will enable African countries to import needed industrial inputs or capital goods from the EU that, in theory, will improve capacity and productivity. But the EU neglects the long-term developmental view, which asks what types of trade protection African economies might need in the future when attempting to build higher-value-added manufacturing industries that do not yet exist today but might exist in 10 or 20 years.

For example, while the EU is right to argue that low tariffs today help Africa to import needed EU pharmaceuticals, what about tomorrow or in 10 years when African countries want to start building their own domestic pharmaceutical

manufacturing industries? The “standstill clauses” in the proposed EPAs would all but block African countries from being allowed to raise any protective trade tariffs for such industries, as needed, in future decades.

Tanzania and Nigeria are expressly concerned that the low tariffs would lead to the destruction of local industries by large imports of cheaper EU-manufactured goods. For example, the president of the Manufacturers Association of Nigeria (MAN), Frank Jacobs, said: “The EPA in its present form will stifle existing manufacturing industries as they will become uncompetitive because cheaper finished goods from European countries would flood the nation’s markets.”

Others are worried about how the tariff liberalization rules would impact small farmers in African economies. Would future floods of cheap, heavily subsidized EU produce wipe them out? Tanzanian President Magufuli raised concerns about this, worried that imports of cheaper, subsidized EU agricultural produce into Tanzania would negatively impact its small farmers, a sector that currently contributes the most to employment and GDP in the country.

While the EU says the EPAs provide for “safeguards” that allow tariffs to be raised temporarily in the case of huge import surges, opponents note that similar safeguards provided for in the World Trade Organization (WTO) rules have proven very complex and difficult to invoke, underscored by the fact that only one country has ever tried to utilize them in over 20 years of WTO rules.

Many in Africa question why the EU should be allowed to use agricultural subsidies under the EU’s Common Agricultural Policy in the first place, when EPA rules would prohibit African countries from doing so. In fact, the EU has refused to negotiate on its own agricultural subsidies in both the EPA negotiations and the WTO.

A particularly important concern is about how the tariff reductions could lead to huge losses in regular tax revenues for many African economies. How would this lost revenue be made up? According to various analyses done by the South Centre, Alternatives Agroecologiques et Solidaires and others using data from Eurostat and the International Trade Centre, the EAC region could lose as much as €3.6 billion in foregone tariff revenues over the next 25 years.

Concerns have also been raised about how EPAs would limit the use of export taxes on raw materials. This would deny African countries a standard industrial policy tool long considered by industrialized countries as vital in the creation of incentives to keep raw materials at home for use by domestic manufacturers.

One reason the EU is pushing for this may be related to its 2008 Raw Materials Initiative and its updated 2015 trade policy. They clearly show it intends to use trade deals like the EPAs to force open developing countries so that EU investors can more easily access raw materials in developing countries and export them to the EU for use in high-tech manufacturing.

According to Aziz Mlima, Permanent Secretary at Tanzania’s Ministry of Foreign Affairs, this EPA rule would deprive Tanzania’s domestic manufacturers of being able to use such natural resources in the future, and would leave the country as little more than “a source of raw materials for European industries.” In fact, Tanzania established a ban on exports of vital mineral sands last August, which is permitted

under WTO rules but wouldn’t be allowed under the proposed EPA.

However, a European Commission spokesperson told *The Mint* magazine that countries would still be allowed to use export taxes on raw materials. Yet the details of the EPAs state that doing so would first require notification to the EU; would provide for only limited product coverage for a limited period of time; and would be subject to review by the EPA council.

There is also a problem with the rules that require African countries to, within five years of enacting the EPAs, expand the negotiating agenda into a host of controversial “new issues,” such as liberalization of government procurement, competition policy and foreign investment – all areas that most developing countries have collectively refused to allow onto the WTO agenda for the past 20 years. These types of far-reaching liberalization reforms could undermine African efforts at industrialization by outlawing the use of various industrial policies and government programmes that are designed to favour building up domestic industries over time.

Lastly, a key concern raised by Nigeria and Tanzania is that the rules of the EPAs would undermine their ongoing efforts with neighbours to expand regional trade within Africa, particularly in the Tripartite Free Trade Area and the Continental Free Trade Area.

Although a European Commission spokesperson told *The Mint*, “There is absolutely no negative interference between EPAs and African trade integration projects,” the concern is that EU goods could end up flowing into African economies at lower tariff rates than those faced by goods from neighbouring African regions, giving EU exporters a competitive advantage over African exporters.

Former Tanzanian President Benjamin Mkapa is among those who fear that locking in old North-South trade flows under the EPAs would destabilize recent efforts at building new South-South regional trade ties. For example, data shows that African countries today export far more of their manufactured goods to neighbouring African economies than they do to others beyond the continent, including the EU. Pointing to such data, Mkapa says that inter-African trade is far more important for the region’s aspirations to industrialize. “The EU market plays almost no role in this,” he concludes.

### A different path

On nearly every issue raised by Nigeria and Tanzania, the EU has neglected to adequately assuage their concerns. The EU continually points to the benefits EPAs would offer to Africa’s current primary commodity exporters in the short term, while saying nothing about the concerns about how the agreements would impact Africa’s ability to industrialize in the long term.

So, rather than go along with any more blind faith in “free trade” theory, Nigeria and Tanzania are taking a different path. They are looking to the historical record of what the industrialized countries did in practice when they were first building their manufacturing sectors – which was not “free trade”. In fact, the history of industrialization from the UK, Germany and the US to Japan, South Korea and China suggests that countries should lower their trade barriers only once their domestic industries have become competitive in world markets.

MAN's Jacobs clearly underscored this finer point about the appropriate timing, pacing and sequencing for trade liberalization when he said Nigeria does not need an EPA now "until it has been adequately industrialized and is able to trade industrial goods competitively."

After more than three decades of African countries faithfully going along with the "free trade" model of development advocated by donor aid agencies and trade negotiators in the

industrialized countries, the fact that Nigeria and Tanzania are today saying no to that model is as astonishing as it is historic. □

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by either negotiating better deals with Gilead right now, and / or taking actions including issuing compulsory licences to import or manufacture more affordable generics.

In a separate press release also issued on 27 March, the European Public Health Alliance (EPHA), which is among the 30 civil society organizations from the 17 European countries simultaneously filing patent challenges on sofosbuvir, said that the development of highly effective new treatments for hepatitis C has been accompanied by outcry from patients and governments against exorbitant prices charged by the drug makers.

"With this filing, we are questioning the grounds on which the patent was granted and we emphasize the possible non-compliance with the current patentability criteria. It is no longer off-limits to discuss these matters in Europe, particularly given the gravity of the access to medicines problems Europeans face today," said Yannis Natsis, head of EPHA's Access to Affordable Medicines Campaign.

### High disease burden

The World Health Organization (WHO), in its first ever Global Report on Access to Hepatitis C Treatment released last October, said that worldwide, approximately 80 million people are living with chronic hepatitis C virus (HCV) and millions more are newly infected each year. Annually, 700,000 people die from HCV-related complications, including cirrhosis and hepatocellular carcinoma.

Despite the scope and severity of the epidemic caused by HCV, until recently, the global response to reduce the burden of this disease has been very limited and the available treatment was expensive, poorly tolerated and had low cure rates, said WHO.

In 2013, the treatment of HCV was transformed by the introduction of a new

class of medicines called direct-acting antivirals. An 8-12-week course of these medicines can cure more than 90% of persons with chronic HCV infection.

In 2015, 275,000 people living in low- and middle-income countries (LMICs) had received hepatitis C treatment based on the new DAAs. In September 2016, additional data reported from other countries brought the overall estimated number of people treated with DAAs in LMICs to over 1 million.

According to the WHO report, one of the main barriers in middle- and high-income countries is the lack of funding and the high prices of the new medicines. Initial prices of DAAs in high-income countries were extremely high, and have continued to remain high in many countries. For example, sofosbuvir, which was introduced in late 2013, was priced at \$1,000 per pill in the US and sofosbuvir / ledipasvir at \$1,125 per pill. This even triggered the attention of the US Congress that investigated the pricing of sofosbuvir.

High prices and limited funding can force countries to ration or only gradually upscale HCV treatment, said WHO. For example, in Brazil, people with no or mild fibrosis are not eligible for treatment, while Switzerland initially rationed access to treatment, excluding patients with mild or no liver damage because of high prices, and expanded

access only after the country negotiated slight price reductions from originator companies. In the US, patients in California and Washington states filed lawsuits against a private insurance company and private payers for restricting access to HCV treatment.

Many middle-income countries have a high disease burden of hepatitis C. Affordable prices are a prerequisite for these countries to be able to increase treatment coverage, WHO underlined.

It was estimated that sofosbuvir, the backbone of most HCV treatment regimens, could be mass-produced for just over \$1 per pill, which could bring the cost for mass production of generic sofosbuvir to \$29 for a 28-day supply.

According to the WHO report, countries that are not able to procure from generic sources have to engage in price negotiations unless they use flexibilities under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Successful price negotiations require market intelligence, in particular, on what other countries and buyers are paying.

"Lessons learnt from the HIV field, however, show that while differential pricing can result in lower prices of medicines, generic competition is more effective in driving down prices," said WHO. (SUNS8432) □

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